

Message Text

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ACTION XMB-04

INFO OCT-01 AF-08 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 IGA-02 /067 W

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P R 021444Z SEP 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 5077

AMEMBASSY KINSHASA PRIORITY

INFO AMEMBASSY PARIS

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DEPARTMENT PASS EXIMBANK AND TREASURY

E.O. 11652: N/A

TAGS: CG, EFIN

SUBJECT: INGA-SHABA POWER LINE PROJECT: BEIM-SAMBWA
DISCUSSION OF NEW EXIM LOAN

REF: KINSHASA 7263

1. SUMMARY: EXIM VICE PRESIDENT BEIM AND ZAIRIAN CENTRAL BANK GOV. SAMBWA MET TWICE SEPTEMBER 1 AND 2 TO DISCUSS SPECIAL PAYMENT ARRANGEMENTS FOR PROPOSED LOAN FOR INGA-SHABA PROJECT OVERRUN COSTS. BEIM EXPLAINED IN DETAIL EXIM'S POSITION AND NEED FOR SPECIAL SECURITY ARRANGEMENTS. SAMBWA EXPRESSED APPRECIATION FOR EXIM'S NEEDS, AND STATED THAT GOZ WISHED TO ASSUME RESPONSIBILITY FOR FINDING FORMULA ACCEPTABLE TO ALL ZAIRE'S CREDITORS. FURTHER DISCUSSION RESULTED IN SUGGESTION THAT EXIM'S DESIRE MIGHT BE ACCOMMODATED WITHIN CONTEXT OF PERCENTAGE OF EXPORT EARNINGS TO MEET FOREIGN DEBT SERVICE. SAMBWA PROMISED TO EXPLORE IDEA WITH PRIVATE BANKERS AND INFORM US OF THEIR REACTION. END SUMMARY.

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2. EXIM BANK VICE PRESIDENT DAVID BEIM AND ZAIRE COUN-

TRY OFFICER EDWARD MARKS MET WITH ZAIRIAN CENTRAL BANK GOVERNOR SAMBWA LATE AFTERNOON SEPTEMBER 1 TO DISCUSS CONTRACT TERMS FOR PROPOSED EXIM LOAN TO FINANCE INGA-SHABA POWER PROJECT COST OVERRUN. DISCUSSION WAS OPEN AND CONSTRUCTIVE AND FOLLOWED BY SECOND MEETING MORNING SEPTEMBER 2 TO CONFIRM AREA OF AGREEMENT PRIOR TO SAMBWA MEETING WITH PRIVATE BANK REPRESENTATIVES.

3. BEIM BEGAN WITH EXPOSITION OF EXIM BANK VIEW OF SITUATION EMPHASIZING EXIM'S NEED FOR SPECIAL TREATMENT OF INGA-SHABA PROJECT DEBT SERVICE ARRANGEMENTS IF ADDITIONAL FUNDS FOR PROJECT ARE TO BE FORTHCOMING. BEIM POINTED OUT SPECIAL CHARACTER OF NEW EXIM LOAN WHICH DEMONSTRATES EXIM AND USG'S VIEW THAT PROJECT IS VITAL TO ZAIRIAN DEVELOPMENT, USG COMMITTED TO ITS COMPLETION, AND EXIM IS ONLY SOURCE OF FUNDS WILLING TO COME FORWARD AT THIS TIME.

4. IN TURN SAMBWA EXPRESSED FULL APPRECIATION BY GOZ, AND HIMSELF PERSONALLY. FOR EXIM'S FORTHCOMING POSITION AND NEED FOR SOME FORM OF SECURITY ASSURANCE. HE EXPRESSED DESIRE TO MEET EXIM'S NEEDS, STATING THAT HE HAS NO OBJECTION TO PRINCIPLE OF SPECIAL ASSURANCE FOR NEW EXIM LOAN. PROBLEM WAS TO FIND FORMAT WHICH WOULD BE ACCEPTABLE TO ZAIRE'S OTHER CREDITORS WHO ARE INSISTING THAT ALL DEBT SERVICE BE TREATED EQUALLY AND WHO BELIEVE PROPOSED PAYMENT FACILITY VIOLATES THAT PRINCIPLE.

5. SAMBWA MADE THREE BASIC POINTS:

- A. COMPLETION OF PROJECT WAS GOZ'S PRIMARY CONSIDERATION.
- B. GOZ WISHED TO MEET EXIM'S TERMS BUT FELT IT HAD TO FIND SOME FORMULA WHICH OTHER CREDITORS WOULD ACCEPT.
- C. GOZ (I.E.. SAMBWA) MUST ASSUME RESPONSIBILITY FOR RESOLVING CREDITOR CONTROVERSY.

6. BEIM FULLY CONCURRED WITH SAMBWA'S VIEW THAT GOZ SHOULD TAKE INITIATIVE IN SITUATION, AS USG AS WELL AS GOZ PREFERRED TO AVOID IMPRESSION THAT EXIM WAS IMPOSING LIMITED OFFICIAL USE

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SPECIAL CONDITIONS ON GOZ, PROVIDED THAT EXIM'S SECURITY NEEDS WERE MET.

7. MOVING TO SPECIFICS OF PROPOSED LOAN, BEIM POINTED OUT PRECEDENTS FOR SPECIAL PAYMENT FACILITY: IBRD AND SMTF ARRANGEMENTS PLUS GOZ TEN PERCENT SET ASIDE FOR DEBT SERVICE UNDER PARIS CLUB AGREEMENT. REFERRING TO SET-ASIDE ARRANGEMENT, SAMBWA EXPLAINED THAT IT WAS CREATED

IN ORDER TO PROVIDE EQUITABLE SYSTEM FOR MEETING ALL (GOV-ERNMENT AND PRIVATE) EXTERNAL DEBT OBLIGATIONS. HE THEN EVOLVED IDEA THAT THIS SET-ASIDE FOR 1976 PAYMENTS COULD BE CONTINUED AS A BLOCKED ACCOUNT AND MIGHT BE USED TO MEET EXIM'S NEEDS BY DESIGNATING PERCENTAGE OF SET-ASIDE FOR SERVICING INGA-SHABA PROJECT OBLIGATIONS.

JUSTIFICATION

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 5078

AMEMBASSY KINSHASA PRIORITY

INFO AMEMBASSY PARIS

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FOR THIS ARRANGEMENT MIGHT BE A GOZ DETERMINATION THAT AVAILABLE FOREIGN EXCHANGE FOR DEBT SERVICE SHOULD BE APPORTIONED WITH SOME CONSIDERATION TO ROLE LENDERS ARE PLAYING IN MEETING ZAIRE'S DEVELOPMENT NEEDS AND/OR COMPARATIVE LOAN EXPOSURE OF INDIVIDUAL LENDERS. THIS POINT WAS LEFT VAGUE, AS SAMBWA APPEARED TO BE SEARCHING FOR THEORETICAL JUSTIFICATION FOR AVOIDING DIVISION OF AVAILABLE FOREX ON A STRICTLY FIRST-COME FIRST-SERVED BASIS.

8. BEIM EXPRESSED INTEREST IN SAMBWA'S SUGGESTION THAT SPECIAL ARRANGEMENTS FOR INGA-SHABA PROJECT DEBT SERVICE MIGHT BE FOLDED INTO OVERALL DEBT SERVICE SET-ASIDE. HE

ASKED FOR AND RECEIVED COPY OF DEBT SERVICE FIGURES ZAIRI-
ANS HAD PREPARED FOR SEPTEMBER 2 MEETING WITH PRIVATE BANK
ERS, AND SUGGESTED THAT DISCUSSION BE CONTINUED NEXT MORN-
ING AFTER BEIM HAD HAD OPPORTUNITY TO VIEW FACTUAL MATERI-
AL. SAMBWA AGREED AND MADE APPOINTMENT FOR EARLY MORN-
ING. JUST BEFORE MEETING WITH PRIVATE BANKERS.

9. FOLLOWING REVIEW OF DOCUMENTS, BEIM TOLD SAMBWA THAT
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HIS PROPOSAL LOOKED PROMISING PROVIDED THAT SET-ASIDE
PERCENTAGE INCREASED OVER NEXT FEW YEARS, E.G., TO PER-
HAPS TWENTY PERCENT BY 1981. SAMBWA THOUGHT THIS POSSI-
BLE (IN PRINCIPLE) AND CONCLUDED WITH REPETITION OF HIS
BASIC POSITION THAT GOZ WISHED TO ACCOMMODATE LEGITI-
MATE NEEDS OF ALL ITS CREDITORS, AND WOULD ASSUME RESPON-
SIBILITY OF FINDING ACCEPTABLE FORMULA. SPECIFICALLY, HE
WOULD EXPLORE IDEA OF USING SET-ASIDE ARRANGEMENT WITH
PRIVAZT BANKERS AND MAKE ARRANGEMENTS TO INFORM MARKS OF
THEIR REACTION.

10. FOR KINSHASA: THIS REPORT IS FYI. MOST ENCOURAG-
ING ASPECT OF DISCUSSION WAS SAMBWA'S DESIRE TO ASSUME
RESPONSIBILITY
FOR RESOLVING SPECIAL PAYMENT ARRANGEMENT
IN LIGHT OF GOZ'S PRIMARY DESIRE TO OBTAIN LOAN WHILE
PACIFYING PRIVATE BANKERS. SAMBWA WILL VISIT BRUSSELS
FOR SEVERAL DAYS PRIOR TO RETURNING TO ZAIRE. IF QUERIED,
YOU MIGHT WISH TO INDICATE THAT EXIM WAS EXTREMELY PLEAS-
ED WITH SAMBWA'S INITIATIVE IN STATING APPRECIATION OF
EXIM'S SITUATION AND MAKING COMMITMENT TO FIND A SOLU-
TION ACCEPTABLE TO ALL.

11. THIS REPORT WAS NOT CLEARED IN FINAL BY BEIM PRIOR
TO HIS DEPARTURE FROM LONDON.

ARMSTRONG

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Message Attributes

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